

SCHOOL DISTRICT OF UNIVERSITY CITY

**REPORT ON INTERNAL CONTROL RELATED
MATTERS AND ADVISORY COMMENTS**

June 30, 2010



SCHOWALTER & JABOURI, P.C.

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October 1, 2010

To the Members of the Board of Education
School District of University City

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the School District of University City (the "District") for the year ended June 30, 2010, in accordance with U.S. generally accepted auditing standards, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, to detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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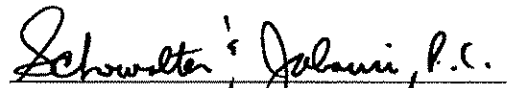
Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Other Current Year Matters
- III. Status of Prior Year Deficiencies Considered to be Significant
- IV. Status of Other Prior Year Matters

District's management has provided written responses to the significant deficiencies identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Education, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

We want to take this opportunity to express our appreciation to the District for the assistance and cooperation we received and the many courtesies extended to us during the course of the audit.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
October 1, 2010

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

A. Internal Control over Financial Reporting

During the current year, auditors of the District assisted with the preparation of the financial statements and the notes to financial statements. Auditors may continue to assist clients with the preparation of the financial statements now and in the future; however, under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2009, the auditor is required to communicate such matters to the entity's management and governing body. The failure to do so would be a lack of compliance with generally accepted auditing standards in the United States.

Due to the changing standards, the District may wish to consider alternatives available that would eliminate this situation.

Management's Response: Due to limited resources, management feels it's appropriate for the auditors to prepare the financial statements.

B. Computer Controls

One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation. Within a computer environment this can be translated to not permitting the same individual to have full access to the computer application (SISFIN) and perform daily accounting/finance activities.

We recommend that Information Technology personnel be responsible for assigning user access to the SISFIN application. Information technology personnel should be prohibited from initiating and/or authorizing "live" transactions required for daily accounting/finance activities. Requests for changes to existing programs (SISFIN), such as user access, should come from authorized users in writing and should be approved by a supervisor to ensure the access is commensurable with the individual's job responsibilities.

In addition, we recommend that at least annually, the supervisor of each department receive a SISFIN user access report with all the employees in their department and the access that these employees have. The supervisor should complete an annual review and re-authorization of each user's access privileges.

Management's Response: Management understands this risk, but due to the limitations of our financial system, we can not prohibit IT personnel from initiating and authorizing live transactions if they are given system management access.

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT (continued)

C. Child Nutrition Cluster

During our current year procedures over Child Nutrition, we noted the following:

- The verification process was completed incorrectly. Verification guidance states that the verification should be completed using all applications on file as of October 1; however, the District did not start the verification until October 28. As a result, the District inaccurately reported the number of applications for testing and therefore did not perform the verification process on the correct number of applications. The Verification Summary submitted to DESE did not accurately report the results of the verification.
- We noted two instances where the verification resulted in a change of status but benefits were not modified timely.
- We noted that, in general, review procedures over the verification process do not appear to be functioning properly in order to detect errors timely.

We recommend the District implement review procedures over the verification process to ensure the verification summary report is completed accurately. In addition, we recommend that training opportunities over the verification process be made available to personnel.

Management's Response: The Coordinator of Data and Assessment assumed this responsibility in fiscal year 2009-10. The administration is confident that the review procedures will be appropriately followed in fiscal year 2010-11.

II. OTHER CURRENT YEAR MATTERS

A. Attendance

During our current year procedures, due to a transition of District staff members, we assisted District personnel in reporting attendance information. District personnel were actively involved during our procedures and reviewed and accepted responsibility for the attendance information reported by the District.

In addition, we noted the District's attendance software, "SIS" produced multiple reports that did not agree to each other. We notified District personnel and requested that they follow up with SIS to resolve this issue.

The hours of attendance are a critical factor for DESE to compute the amount of financial resources to allocate among Districts. Reporting this data incorrectly results in an inaccurate payment to the District. In addition, budget projections for up to two years can be incorrect before the inaccurate amount may be discovered.

II. OTHER CURRENT YEAR MATTERS (continued)

A. Attendance (continued)

We recommend that the District implement review procedures over all aspects of the attendance upload process to ensure that the attendance hours, September membership, and the school calendar are reported correctly to DESE. In addition, training should be made available over all aspects of the accumulation of attendance data, including reports produced by the attendance reporting software.

Management's Response: Due to budgetary constraints, the District eliminated the Data Processing Coordinator position and the attendance duties were absorbed by the Coordinator of Data and Assessment. The Coordinator of Data and Assessment has received additional training and the District is confident that the attendance data will be reported accurately in 2010-11. In addition, the Coordinator of Data and Assessment is continuing to work with SIS to resolve the concerns with their software.

III. STATUS OF PRIOR YEAR DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

A. Internal Control over Financial Reporting

Auditors of the District assisted with the preparation of the financial statements and the notes to financial statements. Under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2009, the auditor is required to communicate such matters to the entity's management and governing body. The failure to do so would be a lack of compliance with generally accepted auditing standards in the United States.

We recommended the District consider alternatives available that would eliminate this situation.

Status: Not implemented. See current year comment IA.

B. Computer Controls

One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation. Within a computer environment this can be translated to not permitting the same individual to have full access to the computer application (SISFIN) and perform daily accounting/finance activities.

We recommended that Information Technology personnel be responsible for assigning user access to the SISFIN application. Information technology personnel should be prohibited from initiating and/or authorizing "live" transactions required for daily accounting/finance activities. Requests for changes to existing programs (SISFIN), such as user access, should come from authorized users in writing and should be approved by a supervisor to ensure the access is commensurable with the individual's job responsibilities.

II. OTHER CURRENT YEAR MATTERS (continued)

B. Computer Controls (continued)

In addition, we recommended that at least annually, the supervisor of each department receive a SISFIN user access report with all the employees in their department and the access that these employees have. The supervisor should complete an annual review and re-authorization of each user's access privileges.

Status: Not implemented. See current year comment IB.

IV. STATUS OF OTHER PRIOR YEAR MATTERS

A. Child Nutrition Cluster

Although improved from the prior year, we noted two instances in which status changes were not made promptly and accurately. We continued to recommend adequate review procedures be put in place around the verification process to ensure that appropriate follow-up steps are taken based on the results of the applicants verified.

Status: During the current year, we noted additional errors in the verification process. See current year comment IC.